

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 PM-07 NSC-07 SPC-03 SS-20

RSC-01 CIAE-00 INR-10 NSAE-00 SSO-00 NSCE-00 INRE-00

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TO SECSTATE WASHDC IMMEDIATE 3758

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40TH TAC GP AVIANO IT

UNCLAS ROME 3631

E.O. 11652 N/A

TAGS: MARR, IT

SUBJ: ITALIAN GOVERNMENT APPROVAL OF DUNN-VANONI REIMBURSEMENT

REF: ROME 13199 (NOTAL)

STATE EUR FOR DEPUTY ASSISTANT SECRETARY STABLER L/PM FOR FIELDS.

1. /BEGIN SUMMARY/: THE ITALIAN GOVERNMENT IS NOW PREPARED TO INITIATE REIMBURSEMENT, BY ADMINISTRATIVE MEASURES, OF OUTSTANDING CONTRACTOR CLAIMS UNDER THE DUNN-VANONI AGREEMENT. MINISTRY OF DEFENSE, OUT OF WHOSE BUDGET THE MONEY WILL COME, IS IN THE LAST STAGES OF INTER-AGENCY CONSULTATIONS TO FINALIZE PROCEDURAL DETAILS. ACTION REQUESTED: THAT THE DEPARTMENT OF DEFENSE IMMEDIATELY INSTRUCT THE CONTRACTING OFFICER, MEDITERRANEAN DIVISION, CORPS OF ENGINEERS, CAMP DARBY, LIVORNO, TO WITHHOLD PAYMENT OF CHECK TO CESICA IN PURSUANCE OF CONTRACT BOARD DECISION OF LAST AUGUST. /END SUMMARY/.

2. PARA 6 REFTTEL REPORTED PRIME MINISTER RUMOR'S REMARK TO UNCLASSIFIED

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AMBASSADOR THAT HE HAD APPROVED A SOLUTION TO THE REIMBURSEMENT

PROBLEM. WE WERE SUBSEQUENTLY INFORMED THAT RUMOR HAD DECIDED PASSAGE OF NEW LAW WOULD BE IMPOSSIBLE AND THAT HE HAD ENDORSED THE RECOMMENDATION OF AN INTER-MINISTERIAL WORKING GROUP THAT ADMINISTRATIVE MEASURES BE EMPLOYED TO ACCOMPLISH REIMBURSEMENT. IN PARTICULAR, MINISTRY OF DEFENSE WOULD PAY THE CLAIMS OUT OF ITS BUDGET. TIME ELAPSED SINCE RUMOR'S DECISION WAS REQUIRED FOR EXCHANGE OF NECESSARY CORRESPONDENCE BETWEEN PRIME MINISTER'S OFFICE AND THE CONCERNED MINISTRIES FORMALIZING THE AGREEMENT.

3. A NOTE FROM THE FOREIGN MINISTRY, IN REPLY TO OUR NUMEROUS PRECEDING NOTES ON THE SUBJECT, IS TODAY ON MORO'S DESK FOR INITIALING. THE FOREIGN MINISTER IS ACCOMPANYING JOBERT ON AN OUT-OF-TOWN TRIP AND WILL NOT BE ABLE TO INITIAL BEFORE MONDAY. WE HAVE EVERY REASON TO BELIEVE MORO WILL APPROVE. THE SUBSTANTIVE PORTION OF NOTE READS AS FOLLOWS: BEGIN TEXT. (THE MINISTRY REFERS) TO THE QUESTION OF THE APPLICATION OF THE DUNN-VANONI AGREEMENT REGARDING THE REIMBURSEMENT OF A NUMBER OF ITALIAN FIRMS FOR SUMS THEY HAVE SPENT IN THE PAST FOR IGE TAX ON CONTRACTS MADE WITH THE U.S. GOVERNMENT. TAKING ACCOUNT OF THE MOST RECENT DEVELOPMENTS WHICH WERE POINTED OUT BY THE EMBASSY OF THE UNITED STATES, THE COMPETENT GOVERNMENT AUTHORITIES HAVE NOW AUTHORIZED THE INITIATION OF THE MOST APPROPRIATE ADMINISTRATIVE PROCEDURES TO ALLOW THE REIMBURSEMENT OF THE FIRMS IN QUESTION. THERE IS THUS REASON TO BELIEVE THAT THE TECHNICAL ORGANS CHARGED WITH THESE OPERATIONS CAN NOW PROCEED IN A SHORT TIME. END TEXT.

4. WORKING LEVEL AT THE MOD HAS BEEN CONSULTING WITH OTHER MINISTRIES, NOTABLY FINANCE AND INDUSTRY, TO WORK OUT ACTUAL PAYMENT PROCEDURES. WE ARE TOLD THESE CONSULTATIONS ARE AT AN ADVANCED STAGE, AND WE ARE OPTIMISTIC THAT PAYMENTS CAN ACTUALLY BEGIN VERY SOON, THOUGH IT WILL UNDOUBTEDLY TAKE A CERTAIN AMOUNT OF TIME BEFORE ALL THE CONTRACTORS ARE PAID OFF.

5. OUR IMMEDIATE PROBLEM IS TO PREVENT PAYMENT OF \$63,000 CLAIM TO CESICA, AS ORDERED BY ARMED SERVICES BOARD OF CONTRACT APPEALS IN ITS RULING LAST AUGUST. THE MEDITERRANEAN DIVISION, CORPS OF ENGINEERS, AT LIVORNO, HAS THE CHECK IN HAND AND WILL BE OBLIGED TO PAY CESICA WITHIN A MATTER OF DAYS UNLESS INSTRUCTED THROUGH COMMEND CHANNELS TO DESIST. WE BELIEVE FORMAL GOI COMMITMENT TO UNCLASSIFIED

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BEGIN REIMBURSEMENT AS CONTAINED IN PREPARED NOTE, IS SUFFICIENT GROUNDS FOR THIS COMMAND ACTION TO BE TAKEN, SINCE THERE IS NOW NO QUESTION THAT THE GOI WILL REIMBURSE CESICA.

6. WE TAKE INTO ACCOUNT, OF COURSE, THE DESIRABILITY OF MAINTAINING GOOD WORKING RELATIONSHIPS BETWEEN THE COMMANDS AND THEIR CONTRACTORS. WE REALIZE THAT UNLESS CESICA CAN BE ASSURED OF PROMPT PAYMENT BY THE GOI THEY ARE LIKELY TO INSIST ON USG PAYMENT

AS ORDERED BY THE CONTRACT BOARD. NEVERTHELESS, WE BELIEVE THIS PROBLEM CAN BE SOLVED IN SHORT ORDER. WE HAVE SCHEDULED MEETING FOR NEXT WEEK WITH DEFENSE WORKING LEVELS, AT WHICH TIME WE WILL HAVE A BETTER IDEA OF GOI'S POSSIBLE TIMING IN MAKING THIS PAYMENT. IN WHAT WE CONSIDER THE UNLIKELY EVENT THAT IT DOES NOT SEEM PROMPT PAYMENT WILL BE POSSIBLE, WE WILL CERTAINLY NOT ASK THAT THE MED ENGINEERS DELAY PAYMENT ANY LONGER.

7. ALTERNATIVE TO ACTION REQUESTED IN PARA 5 ABOVE IS TO GO AHEAD AND PAY CESICA. WE DO NOT KNOW IF GOI WOULD BE ABLE TO REIMBURSE US PROMPTLY, BUT IF THEY COULD NOT, THIS WOULD MEAN RESORT TO A DIPLOMATIC CLAIM, WHICH BIDS FAIR TO BE PAINFULLY LONG AND COMPLICATED PROCESS, AND WHICH WOULD BE UNFORTUNATE TO BE OBLIGED TO INITIATE AFTER HAVING COME ALL THIS WAY. THIS IS NOT TO MENTION HOW CONGRESS AND GAO WOULD VIEW THIS IN THE BURDEN-SHARING CONTEXT. VOLPE

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